Business Model Publicness and Socialness of the Social Enterprise

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Social enterprise is important. Yet, there has been diverse understanding of the phenomenon in the literature. This paper attempts to make sense of the social enterprise phenomenon in the literature from a two-layer framework of two-by-two matrices. The first layer juxtaposes social enterprise against other organizations (a typology of organizations) and the second layer classifies different types of social enterprises (a typology of social enterprise). This framework may provide researchers with tools to develop a clear and comprehensive definition of social enterprise. For practitioners, the ability to recognize structures of different types of social enterprises may offer them guideline to design the appropriate business model to serve their purposes.

Introduction

Literature on social entrepreneurship is marked with diverse understanding of the phenomenon. Social entrepreneurship has been recognized as contested concepts (Choi and Majumdar 2014) and therefore, authors embrace different assumptions, definitions, as well as understanding on social enterprises. For example, social enterprise is associated with all organizations that conduct social activities, from Corporate Social Responsibility (CSR) of a commercial company to non-profit organizations (Kerlin 2006; Dees 1999); while on the other hand, the understanding of social enterprise is limited only to those organizations that prioritize social value creation over value capture (Doherty et al 2014). Further, social enterprises have often been considered as a non-profit operating in a business fashion (Mair and Marti 2006); yet, some other authors acknowledge that owners of social enterprises may appropriate profit (Yunus et al 2010).

To navigate the complex - and often contradictory – conceptions of social enterprises, we ask four fundamental questions to differentiate the assumptions of the nature of value creation and ownership of social enterprises present in different literature. The questions are: (a). Do social enterprises always prioritize social value creation over financial value capture or is it the mix that matter?; (b). Are owners of social enterprises more or less restricted to appropriate profit or loss?; (c). Do social enterprises involve in generating surplus for revenue or relying on public or private donation?; (d). Are owners of social enterprises interested in only recovering production costs or getting the profit from the activities?

Guided by these questions, we attempt to make sense of the understanding of social enterprises in the literature from a comprehensive two-layer framework of two-by-two matrices (figure 1). The first layer juxtaposes social enterprises against other organization and the second layer identifies different type of social enterprises.

This framework may provide researchers with tools to develop a clear and comprehensive definition of social enterprises (Sudabby 2010). Researchers may also identify different types of social enterprises, and therefore, they may be able to investigate how the differences in the structure of social enterprises may affect the performance – both financial and social. For practitioners and social entrepreneurs, the ability to recognize the structure of different types of social enterprises may provide them with guidelines to design a more suitable business model to serve their purposes.

Literature Review

Social entrepreneurship literature has been marked with diverse understanding of the social enterprise phenomenon. For example, authors include any organizations with social value creation activities – both for-profit and not-for-profit – as social enterprises. Kerlin (2006) indicates that the conception of social enterprises in the United States span from the Corporate Social Responsibility (CSR) programs conducted by commercial companies to activities by non-profit organizations employing market-based approach. Dees (1998) argues that social enterprises are nonprofits that seek additional income from operating like profit organizations.

Others restrict the conception of social enterprises specifically to those organizations that prioritize social value creation over value capture. Doherty et al (2014), for example, argues that high attention to social value creation over value capture is evident in social enterprises. Santos (2012) argues that social enterprises focuse on creating social value, especially in sectors neglected by the government and the private sector. Similarly, Chell (2007) argues that the centrality of social enterprise's mission distinguish them from their commercial counterparts. Mair and Marti (2006) argue that economic value creation should be secondary to social wealth creation.

Social enterprises have also been seen to resemble private organizations because their owners appropriate profit. Social entrepreneurship authors (Mair and Marti 2006; Peredo and McLean 2006) highlighted the utilization of business approaches in social enterprises. Using business practices, social enterprises capture financial value for shareholders (Yunus et al 2010). For example, Defourny and Nyssens (2011) include European cooperatives as social enterprises. Generating profit through trading, cooperatives also distribute their profit to their members.

Yet, some others believe that social enterprises are restricted from doing so (Defourny and Nyssens 2011); while some others believe that social enterprises are still allowed to appropriate profit as long as it is not the primary motive (EMES Approach). Nicholls (2006) argues that social enterprises are non-profits and therefore they tend to "re-invest" their profit into their operation. Defourny and Nyssens (2011) report that in some European countries, profit of social enterprises is capped below their commercial counterparts.

Authors also vary in their understanding of the financial motivation of social entrepreneurs. For example, although generally social entrepreneurs have less financial motivation than their commercial counterparts (Mair and Marti 2006), some authors indicate that financial motivation also drives owners of social enterprises (Yunus et al 2010).

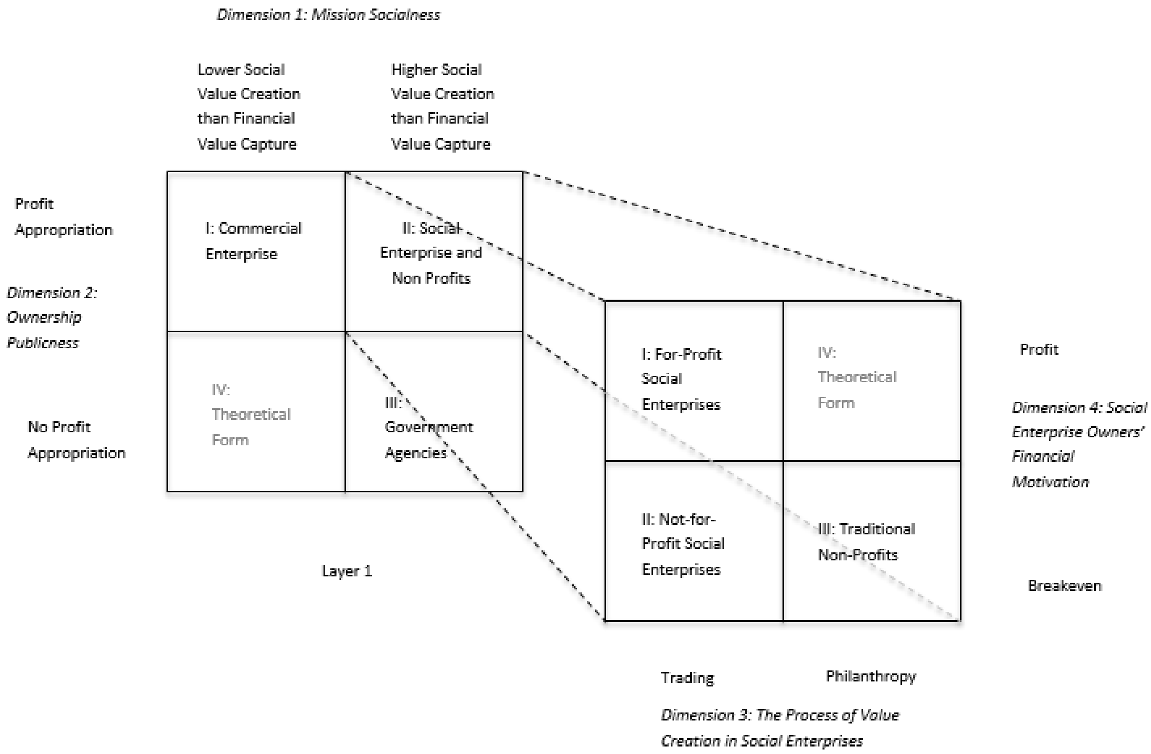
Further, social entrepreneurship literature is diverse in understanding the ways in which social enterprise deliver values. For example, authors believe that social enterprises prioritize trading in order to achieve their mission (Nicholls 2006; Alter 2002; Haugh and Tracey 2004); while some other highlights that some social enterprises are non-profits, such as charity, and rely their income from philanthropy donation (Dees 1998).

Therefore, to navigate the complex - and often contradictory – conceptions of social enterprises, we ask four fundamental questions to differentiate the assumptions of the nature of value creation and ownership of social enterprises present in the literature. The questions are: (a). Do social enterprises always prioritize social value creation over financial value capture or is it the mix that matter?; (b). Are owners of social enterprises more or less restricted to appropriate profit or loss?; (c). Do social enterprises involve in generating surplus for revenue or relying on public or private donation?; (d). Are owners of social enterprises interested in only recovering production costs or getting the profit from the activities?

Guided by these questions, we make sense of the diverse understanding of social enterprise phenomenon in the literature via a comprehensive two-layer of two-by-two matrix (figure 1). The first layer juxtaposes social enterprises against other organization and the second layer identifies different type of social enterprises.

The following discussion will outline each dimension of each layer and the constructs underlying the development of each dimension. The *first section* below will discuss the components of the first layer: mission socialness and ownership publicness. This will be followed with the *second section*, discussion of the dimensions of the second layer: the process of value creation in social enterprises and social enterprise owners' financial motivation.

Figure 1. The Typology of Organizations and Social Enterprises



First Layer: The Typology of Organizations

The first layer discusses the typology of organizations. The aim of this discussion is to provide a framework to distinguish social enterprise against other organizations. This section will discuss the conceptual foundations of the mission socialness and the ownership publicness dimensions.

Dimension 1: Mission Socialness of Organizations

We define mission socialness of organizations as *the trade-off (or the ratio) of social value creation over financial value capture*. This section will outline what we mean by *social value creation (SVC)*, *financial value capture (FVC)*, and the ways we make sense of the *trade-off* between social value creation and financial value capture.

Management authors have recently started to take a look at the ways in which organizations provide contribution to the social problems (Porter and Kramer 2011). In fact, there seems to be a growing attention in the literature in making sense of the social purpose of organizations (Hollensbe et al 2014). Yet, research on the extent to which organizations create (or destruct) social values have been underdeveloped. This is due to the fact that authors of business organizations have been operating under the assumption that the sole purpose of a business is to add to shareholder values

Despite this absence within the business literature, discussions on social value creation have been present among non-profit authors. Yet, the difficulty to measure social change lies in the fact that outputs of social interventions are not comparable (Kroeger and Weber 2014). Since a theory of change may need to be suited to a particular social problem setting, indicators to measure a successful theory of change may be different from one setting to the other (Weiss 1997). For example, measuring a successful behavior change in health promotion program may be different from measuring a successful adoption of disaster risk reduction mechanism in a disaster-prone area. Thus the difficulty of creating a universal definition of created social value.

To overcome this challenge, a recent effort to develop a conceptual framework to compare different social value creation initiatives is worth to consider (Kroeger and Weber 2014), and for our purpose in making sense of the idea of social value creation within the socialness dimension we propose to follow the logic of the authors.

Our definition of social value creation (SVC) refers to the content of the created value in the society, as opposed to its process (Lepak et al 2007). To avoid tautology, we define social value creation as the degree to which an organization managed to reduce social need of people where a social intervention is introduced (Kroger and Weber 2014). Borrowing from the positive psychology literature (Seligman and Csikszentmihalyi 2000), Kroeger and Weber (2014: 519-522) propose to adopt the changes in the Subjective Well Being (SWB) indicators as a measure of created social value across different social interventions. It is argued that various social interventions may have different means and instruments of implementation; yet at the end, it expects to improve the well-being of people (Kroeger and Weber 2014). Thus, measuring the changes in the well-being indicators would serve the purpose.

The authors argue that Life Satisfaction indicators (LS) – a cognitive Subjective Well Being indicator – is useful as a universal basis to measure created social value from different social interventions because it is assessed at the level of an individual (Layard 2010); "highly personal experience" (Campbell et al 1976: 10); and "refers to the needs of human beings" (Kroeger and Weber 2014: 521). All of these encompass a definition of LS as "a result of an individual's perceived discrepancy between his or her aspired and achieved levels of need" (Kroeger and Weber 2014: 520). Although LS is subjective, it also correlates with the Psychological Well Being (PWB) indicators (Ryff and Keyes 1995) that is deductively developed from various theoretical framework in psychology (Ryff 1995), and thus, indicating the validity of the subjective measure.

LS indicators measure global or overall life satisfaction of individuals; and the authors believe that a more accurate measurement of created social value could be achieved via the measurement of the improvement of Domain Satisfaction (DS) – separate "partitions" of Life Satisfaction measures (Rojas 2006: 469). DS is "the satisfaction an individual feels with his or her perceived situation related to a particular need" (Kroeger and Weber 2014: 521) and therefore it is considered closer to a particular social intervention of an organization. Further creation of a DS index – an aggregate of satisfaction measures from different partitions (or domains that correlate with particular needs of the beneficiaries of a particular social intervention) – may meaningfully approximate the needs to measure more accurate global LS (Kroger and Weber 2014: 522).

While all organizations are assumed to create social value (Porter and Kramer 2011; Hollensbe et al 2014), they also – to an extent – capture values (Mizik and Jacobson 2003). Value capture, a construct widely discussed in the Strategic Management literature, refers to the ability to appropriate values created by the organizations or firms (Mizik and Jacobson 2003; Bowman and Ambrosini 2000; Lepak et al 2007; James et al 2013; March 1991). Created values have often needed to be shared with the society, stakeholders, and even competitors (Lepak et al 2007), and it is argued that in order to sustain, business firms has to be able to appropriate the created values (Mizik and Jacobson 2003). Additionally, organizations can capture more, equal, or less values than it creates (Brandenburger and Nalebuff 1995).

The relationship between value creation and value capture has been explored in various literatures (Santos 2013; Lavie 2007; Mizik and Jacobson 2003). It is argued that in most cases organizations have to trade-off value creation and value capture (Mizik and Jacobson 2003; Porter 1996; Miles and Snow 1978; Boulding and Lee 1994); thus, it is difficult for organizations to maximize both value creation and value capture at the same time (Santos 2013: 338). Within the non-profit context, for example, the lack of ability of poor customers to pay for provided goods or services may make value capture difficult (Seelos and Mair 2005). Thus, in this situation, non-profit organizations have to trade off value capture for social value creation (value capture = 0; social value creation = 1). On other extreme conditions attempts to capture value without creating social value may happen in corrupt societies. Corrupt and mafia organizations, for example, may trade value capture off with the creation of social value that benefit the society (social value creation = 0; value capture = 1); thus, appropriating all values from all activities conducted in a society. Taking into account the dynamics between social value creation and value capture, Santos (2013) further suggests organizations to be explicit in their social value creation or value capture orientation. It is argued that being explicit in their orientation will help establish organizational identity and provide direction in organizational decision-making; by doing so, organizations will be able to mitigate conflicting choices during their courses of action (Santos 2013: 338).

Understanding the dynamics and the relationship between value creation and value capture, we propose to measure the trade-off (or the ratio) between social value creation and financial value capture across different type of organizations in order to make sense of different mission socialness of organizations. *High mission socialness organizations* are those that score social value creation higher than financial value capture (i.e. SVC/FVC > 1). Organizations belong to this category prioritize activities that promote the creation of values that benefit the targeted society. Although there may be some value capture activities, in these organizations the created social value exceeds the appropriation of those values. Non-profits belong to this category because they produce social value without any interest to capture the created values. Similarly, government agencies are also in this category because of the same reasons.

On the other hand, *low mission socialness organizations* are those that score the social value creation lower than financial value capture (i.e. SVC /FVC < 1). Organizations belong to this category may still improve the well-being of people (e.g. producing medicine for certain terminal illness), however their value capture score may exceed the former (i.e. via patent – selling the medicine only to premium customers instead of to the poor). Commercial companies fit into this category.

Dimension 2: Ownership Publicness of Organizations

We define ownership publicness as *the degree to which owners of an organization are restricted from accumulating wealth from the activities conducted by the organization*. *Profit Appropriation* (low degree ownership publicness, private-like) is when the owners have strong motive to accumulate wealth from the organization; and they are not restricted to do so. *No Profit Appropriation* (high degree ownership publicness, public-like) is when the owners, regardless of their intention, are restricted to appropriate these gains.

This section will outline the foundation of publicness theory that becomes the underlying framework for the development of the ownership publicness dimension. Further, drawing from the argument of private property theorists (Demsetz 1967), we propose to distinguish the ownership characteristics of private-like organizations (*profit appropriation*) and public-like organizations (*no profit appropriation*). The argument of private property theorists has often been argued as the theoretical foundation of the ownership dimension in the publicness theory (Perry and Rainey 1988; Andrews et al 2011).

Publicness theory has been widely discussed in the public administration literature (Bozeman 1987; Rainey 1979; Rainey, Backoff, and Levine 1976; Lewis and Zolin 2004). Discussion on a publicness of an organization stems from the attempt to distinguish the differences between public and private organizations (Bozeman 1987). Anchoring the argument to the work on the political economy of public organizations (Wamsley and Zald 1973), publicness theorists argues that organizations are, in addition to customers and market demands, also subject to constrain from political demands and regulations; it is believed that public organizations receive higher political demands than their private counterparts (Dahl and Lindblom 1953).

Publicness theory further argues that public and private organizations are distinguishable from the three important aspects: ownership, funding, and control (Perry and Rainey 1988). Mode of control of an organization refers to the governance structure of the organizations, i.e. the ways in which decision-making is made in an organization (Perry and Rainey 1988), and therefore it often implies the legal arrangement of the organizations. For example, a limited liability company may have stronger shareholder control than a public organization. On the other hand, mode of control in public organization is often set via political mechanism and regulations, e.g. in the form of parliamentary hearing. However, we are less interested in the mode of control of organizations because legal arrangements of organizations vary from one place to the other. Thus, in order to achieve our objective, using the mode of control as an aspect to distinguish organizations may create unnecessary complications.

Moreover, funding refers to the ways in which the organization receive fund to materialize their value propositions (Bozeman 1987). In the business model literature, funding aspect of an organization is similar to the revenue stream that an organization receives from customers or other parties and may also be associated with the value structure of an organization (George and Bock 2011).

Thus, private organizations receive funding from private individuals and their customers; while public organizations receive funding from the taxpayers. Funding publicness aspect is important to make sense different ways social enterprises generate revenue (see dimension 3 below).

Ownership characteristic of an organization has been long accepted as a distinguishing factor between private and public organizations (Perry and Rainey 1988). The ways authors define ownership aspect of an organization stems from the logic of private property theories (Demsetz 1967; Alchian and Demsetz 1972; Hart and Moore 1990). Authors argue that private property is only possible when people could internalize the potential benefit and cost in the society (Demsetz 1967: 350). Thus, owners of the property rights possess the rights – i.e. receiving consent from other people – to allow themselves to act in ways of their own choosing – for example, benefit themselves (i.e. accumulating wealth) or harm others (i.e. excluding competitors) (Demsetz 1967: 347). The locus of this perspective emphasizes the exclusivity of the owners of the property rights to exclude other people from exercising similar actions.

We argue that this particular right to exclude has become the main characteristics of organizations with *private-like ownership*. Shareholders have the exclusivity to appropriate profit from the value creation process – whom other people are excluded from exercising similar action. In this case, the motive of shareholders to accumulate profit is warranted by the fact that the owners are endowed with property rights. Literature of social entrepreneurship has indicated that social and commercial enterprises have strong ownership resemblance. For example, Mair and Marti (2006) and Peredo and McLean (2009) – both of them argue that social enterprises embrace business methods.

On the contrary, in a *public-like organization*, property rights is diffused and therefore everyone can exercise their rights (i.e. the community rights) (Demsetz 1967). Since the owner is the public, or the taxpayers, no one involved in the organizations are allowed to exclude other people from exercising their communal rights (Demsetz 1967: 354). This logic deems the internalization of benefit (i.e. accumulating wealth) or cost (i.e harming competitors) less possible in public-like organizations. Thus understood, even when owners of public-like organizations have motivation to accumulate individual wealth, their action cannot be warranted because of the nature of diffused property rights. In this case, any action to accumulate individual wealth in a public-like organization would be seen as a corrupt action and may be considered violating the basic principles of the communal rights – no one is allowed to exclude others from exercising their communal rights.

Subsequently, owners of private- and public-like organizations have different degree of restriction to accumulate wealth. We believe that owners of private-like organizations are less restricted to accumulate wealth, primarily due to the logic of private property rights (receiving warrant to exclude others from exercising wealth accumulation activities). Having less restricted, owners of private-like organization could materialize their motivation to *appropriate profit.*

On the other hand, in public-like organizations – due to the difficulties to exclude other people from exercising their rights – materializing owners' intention to appropriate profit is less possible. Although negotiation to get profit may occur, the transaction cost is going to be extremely high so it may be counterproductive to pursue (Demsetz 1967). Thus, owners of public-like organizations tend to *not appropriate profit*.

Second Layer: The Typology of Social Enterprises

The second layer discusses the typology of social enterprises. The aim of this discussion is to provide a framework to distinguish different types of social enterprises. This section will discuss the dimensions of the second layer's matrix: the value creation process in social enterprise and the social enterprise owners' financial motivation.

Dimension 3: The *Value Creation Process* in Social Enterprises

This section outlines the dimension where different social enterprises have different ways (i.e. the process) of creating values (Lepak et al 2007). We highlight that social enterprises vary in this dimension from seeking revenue via *trading* at one end to via *philanthropy* at the other end.

Since value creation process overlaps with the funding aspect of Publicness Theory – due to the fact that both construct refers to the way organization materializes their value proposition – we will use the logic of Publicness Theory to further make sense of this particular dimension.

Funding publicness highlights the ways organization receive the revenue to deliver their value proposition. Originating in the public administration research, funding publicness distinguish the characteristics of the revenue streams between public and private organizations (Bozeman 1987; Andrews et al 2011; Lewis and Zolin 2004). It is argued that public organizations receive funding from the taxpayers, where private organizations receive funding from their market-based activities (Perry and Rainey 1988). Private organizations receive revenue surplus from trading – where they deliver values (products and services) to customers higher than the cost of production. Public organizations, on the other hand, provide values to taxpayers (e.g. public park) equals to the cost of the production (e.g. the cost of producing a public park) and seek the revenue from taxpayers.

Literature in social entrepreneurship has highlighted the resembling public-private mode of revenue generation among social enterprises (Kerlin 2006; Dees 1998; Mair and Marti 2006; Nicholls 2006). It has been argued that some social enterprises rely on market-based revenue. The literature describes that social enterprises are those organizations that are involved in *trading* activities (Barraket et al 2013).

Yet, the literature also explicitly includes non-profits, or those organizations that rely their revenue from philanthropic activities (such as donation from private donors or donor organizations), as social enterprises (Galera and Borzaga 2009). These social enterprises' major sources of revenue are from donor organizations (i.e. government funding) (ref) or individual donor and members.

Dimension 4: ***Social Enterprise Owners' Financial Motivation***

This section outlines the ownership-related dimension among different social enterprises. We define this dimension as the profit orientation of the owners of social enterprises; which varies from appropriating *profit* at one end and achieving *breakeven* at the other end. Much business literature has indicated on the existence of private business where its owners are more or less interested in profit appropriation (ref). It is argued that financial surplus of an organization may not always be the primary motive of corporate owners: while owners of traditional private organizations would expect to have more return on investment from their capital, some owners are less interested in profit appropriation, for example older family members in family-owned SMEs or those family members who are interested in family control instead of equity (Romano et al 2000). Further, within the entrepreneurship literature, it has been argued that entrepreneurs' motivation also vary and are impacting to the ways the enterprise is structured; while some have strong intention to generate individual profit, some others are socially-driven causes (Fauchart and Gruber 2011).

As private-like organization – in the sense that its owners are less restricted to appropriate profit – social enterprises have also shown similar pattern. Some owners of social enterprises appropriate the surplus as *profit* and distribute the dividend among the shareholder of the enterprise. For example, Yunus et al (2010) indicates the model of social enterprise where owners are interested to reclaim their investment. These social enterprises often operate – and, in many cases, have legal structure – as private entity. The only difference they have with commercial enterprise is the fact that they have higher ratio of mission socialness.

Other authors highlighted the fact that owners of social enterprise are less interested with profit appropriation (Defourny and Nyssens 2011). Some social enterprises 're-invest' the surplus to the organization (Nicholls 2006). Some other social enterprises do not even attempt generating surplus from their operation (Galera and Borzaga 2009). These social enterprises have similar characteristics in maintaining to achieve *breakeven point* in their operation.

The Typologies – Using The Framework

This two-layer framework provides two typologies – of organizations and of social enterprises. The first layer provides a framework to distinguish social enterprise against other different organizations; the first layer provides a framework to classify different types of social enterprises. This section discusses the typologies.

The first layer provides a typology of organizations and juxtaposes social enterprises against other organization (figure 1). In contrast to other organizations, social enterprises are recognized as organizations that have *high mission socialness* and *low ownership publicness.* Social enterprises provide intervention in neglected areas, and therefore, in difficult situations, social entrepreneurs trade-off social value creation with financial value capture (Santos 2013). This essential characteristic (high mission socialness) distinguishes social enterprise from their commercial counterpart.

Yet, similar to commercial enterprise, owners of social enterprises are less restricted to accumulate profit from their organizational activity (*low ownership publicness*).

Almost all conceptions of social enterprise in the literature display these implicit assumptions. For example, Mair and Marti (2006), Nicholls (2006) belong to this category due to their focus on high mission socialness of social enterprises. In combination with high mission socialness, they also believe that adopting business practice - and thus being *private-like* – is the distinguishing characteristic of social enterprises.

Further, the second layer provides a typology of social enterprises (figure 1). Four types of social enterprises are identified from this configuration. The organizations in the *first quadrant* are those social enterprises with a combination of trading and profit. This is the *"For-Profit Social Enterprises".* This particular type of social enterprise generates surplus of revenue from the differences between the selling price and the cost of production (selling > cost). Social enterprises in this category often need to provide new way to sell products and services in order to increase the well being of a society, especially in the neglected area (Santos 2013). Moreover, owners of this particular type of social enterprise appropriate profit. In the social entrepreneurship literature, Yunus et al (2010) among other authors, identify the existence of this particular type of social enterprise. Yunus et al (2010) argues that 'social business' – where its owners seek to recover their investment – is a for-profit type of social enterprise.

This type of social enterprise may look very similar to a commercial enterprise since the structure of the former resembles the latter (i.e. the owners seek profit and the company does trading). The only difference is that for-profit social enterprises have higher mission socialness, and it is evident from the trade-off between created social value and financial value capture.

An empirical example of this category is Barefoot Power (http://www.barefootpower.com/), a Sydney-based Social Enterprise providing affordable alternative energy for poor rural communities. The mission of the company is to 'help low income families to break their dependence on inefficient, expensive and harmful light sources by giving them cleaner and cheaper options'. Barefoot Power conducts trading through the production and distribution of low cost and clean source of energy (i.e LED reading lamp as a replacement of traditional kerosene lamp). Their high mission socialness is illustrated from their priority to provide clean light sources to rural market (i.e. improving significantly the life satisfaction of rural people) and thus, they are prepared to receive thin profit margin; their priority is different than most commercial companies which would aim to enter a more highly profitable, commercial and urban market (as most commercial companies – e.g. Philips, GE, etc – would do).

Similar to commercial enterprises, owners of Barefoot Power are investors that have provided fund to get capital return from the trading activities (http://www.startupsmart.com.au/growth/social-enterprise-barefoot-power-raises-58-million-series-b-round/201207186961.html).

Social enterprises in *the second quadrant* are those that display combined characteristics of doing trading and achieve breakeven. We propose to call this category *"Not-for-Profit Social Enterprises"*. Although this type of social enterprise conducts trading to generate surplus of revenue (selling > cost), their owners are less interested in profit appropriation. Many social enterprises on this category "re-invest" the profit back to the operation of the organizations. Those authors in the social entrepreneurship literature – whom Defourny and Nyssens (2011) label as "commercial non-profit approach" – belongs to this category.

An empirical example of this category would be the Melbourne-based Social Enterprise, Thank You Movement (http://thankyou.co/). This not-for-profit social enterprise sells bottled water in supermarkets at market price, as well as body care and food products. The surplus from the trading activities is devoted to finance safe water, health, and food projects in developing nations. The company asserts that they do not have shareholders and investors to appropriate the profit (http://thankyou.co/movement/faq). By doing this, Thank You company has high mission socialness because there is no financial value capture made from their business activities.

The third quadrant refers to social enterprises with a combination of philanthropy and breakeven configurations. Those *"Traditional Non-Profits"* belong to this category. We argue that traditional non-profits are essentially social enterprises because they are distinctive from other existing organizations from their high mission socialness. For example, it is argued that salient characteristics of a social enterprise are pursuing social goals, having non-profit distribution constraint, and power to stakeholders (Galera and Borzaga 2009) – all of which are also characteristics of traditional non-profits. Owners of traditional non-profits are usually members of the organizations, or stakeholders, and are less interested in profit appropriation. Most of the cases, owners of traditional non-profit only expect to recover the cost of operation of the non-profits to ensure sustainable operation of the institution.

An empirical example of this particular type is an Ashden Social Entrepreneurship Award recipient, the Ibeka Foundation (http://www.ashden.org/winners/ibeka12). An Indonesia-based rural micro-hydro electrification social enterprise, Ibeka foundation creates social value in the neglected area where the government is unable to provide grid-electricity in order to improve the living condition of the rural poor. Ibeka receives most of the revenues in the form of grants from development agencies (such as UNDP, JICA, etc). Ibeka does not conduct any trading activities. Owners of Ibeka, social activists, are not interested to secure profit from the operation of the foundation (ref).

Further, some of the current seemingly distinctive social enterprises apparently take the traditional non-profit form, such as Kiva – a web-based microfinance social enterprise (http://www.kiva.org). We argue that Kiva belongs to traditional non-profits; however, because they utilize innovative technology (crowdsourcing) to generate their revenue, they look different from other traditional non-profits – e.g. most traditional non-profits generate their revenue from traditional fundraising. However, once other non-profits start copying their innovation, Kiva will no longer be unique.

The fourth quadrant is the non-existent theoretical type of social enterprise with a combination of philanthropy and profit. Combination of philanthropy and profit is difficult to achieve since most donor organizations often require non-profit operation.

Theoretical and Practical Implications

These typologies provide framework for researchers to develop a definition of social enterprise. By providing a comprehensive framework that juxtapose social enterprise from other organization and recognize different types of social enterprises, researchers would be able to develop a clear definition of social enterprise. We believe it is necessary to develop a clear and comprehensive construct of the social enterprise phenomenon. A clear construct of social enterprise has to capture the essential characteristics of the phenomenon, avoid tautology, and has to be parsimonious (Sudabby 2010). It has to be narrow enough in order to be distinctive (i.e. able to distinguish a social enterprise from other organizations), yet at the same time it has to be broad enough to capture different categories of the phenomenon (i.e. the typology of social enterprises) (Sudabby 2010: 348). This framework allows researcher to meet the criteria.

The typology of social enterprises would also help practitioners (social entrepreneurs) to choose for appropriate business models. It is argued that there are different factors affecting the formation of a profit or non-profit model in a social organization – for example, the nature of social needs, the amount of required resources, the scope of raising capital, and the ability to capture economic value (Mair and Marti 2006). Yet, thus far, there has been less clear identification of the characteristics and dimensions of types of social enterprises that may help guide practitioners. This framework provides social entrepreneurs with comprehensive options by giving emphasizes on two essential aspects: the process of value creation and the owners' financial motivation.

Conclusion

Social enterprise is important for the society. However, many social entrepreneurs fail to develop appropriate business model because there have been lack of guidelines and understanding of what constitute social enterprises. Literature on social enterprise has been divergent and complex. There are different conceptions of social enterprises in the literature based on different assumptions.

By asking four fundamental questions, this paper seeks to make sense social enterprise phenomenon in the literature via a two-layer of two-by-two matrices. The first layer of the matrix constructs a typology of organizations in an attempt to juxtapose social enterprise against different organizations. The second layer of the matrix identifies a typology of social enterprise.

This paper provides social enterprise researchers with a framework to define social enterprise. For practitioners, this framework helps them to identify comprehensive characteristics of social enterprise in order to develop appropriate business model.

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